

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: GRACE SEAMAN**

**DATE: MARCH 23, 2007**

**RE: 2006 ANNUAL REPORT AND RECOMMENDATION FOR THE IDAHO  
TELEPHONE SERVICE ASSISTANCE PROGRAM.**

On March 3, 2007, the Idaho Telephone Service Assistance Program (ITSAP) Administrator, Alyson Anderson, filed the annual report for the fiscal year ending December 31, 2006. In general, 2006 was a more stable year for ITSAP. The growth in number of recipients and the increase in the number of wireless lines were less significant. Ms. Anderson reported gross revenues from surcharges of \$1,198,653 of which \$553,699 (46%) was assessed on wireline local exchange services and \$644,954 (54%) was assessed on wireless services. Additional revenue for 2006 included U.S. Treasury notes redeemed for the amount of \$740,000 and accrued interest of \$39,591. Reversing the sharp upward trend of the past, the number of ITSAP recipients and the corresponding disbursements remained somewhat stable or decreased slightly. Disbursement credits for eligible subscribers decreased by .8% to \$1,323,371, and disbursements to telephone companies for administrative costs decreased by 1% to \$117,648. During 2006, an average of 32,025 recipients per month received ITSAP support, a slight increase of .13% from 2005. The ITSAP Administrator's fees and expenses were \$8,939 for the year. The fund's cash balance at the end of the year was reported at \$344,043. U.S. Treasury notes for the amount of \$400,000 were purchased in 2006 with a maturity date of March 31, 2007.

The average number of local access lines per month reported to the Administrator for 2006 increased by 4% to approximately 686,800 from 662,200. The reported number of wireless access lines increased by almost 10% to approximately 855,400 from 775,000. The total number of lines per month increased overall by nearly 105,000 (7%) to approximately 1,542,200 from 1,437,200.

## REVISED 2005 REPORT

While reviewing the financial information for 2006, the Administrator discovered a data entry error that occurred in December 2005. Corrections were made and she filed a revised report for 2005 with the following changes:

<u>Revised Items</u>	<u>2005 Revised</u>	<u>2005</u>
Wireline Surcharges	\$792,564	\$797,052
Wireless Surcharges	\$785,054	\$812,516
Total Surcharge	\$1,577,618	\$1,609,568
ITSAP Credit Disbursements to Telcos	\$1,334,639	\$1,334,650
Reimbursement of Telco Administrative Costs	\$119,258	\$118,177
End of Year Cash Balance	\$218,918	\$251,937

## 2007 BUDGET AND TRENDS

Ms. Anderson estimated the 2007 funds from access lines would remain stable, with contribution from wireless lines increasing slightly and local access lines remaining static. Using the December 2006 data, she reported the number of ITSAP recipients is expected to decrease by approximately 5% to a monthly average of 30,237; the telephone company administrative costs are estimated to be \$124,887, an increase of approximately 6%; and, the ITSAP Administrator fees and expenses are estimated to be \$10,000, an increase of almost 12%. The expected increase in telephone company administrative costs is due to more companies reporting costs that did not do so in the past. Ms. Anderson's fees will increase due to a triennial audit that will occur during the year. The projected funding requirement for 2007 is estimated to be \$1,404,827.

## ADMINISTRATOR'S RECOMMENDATIONS

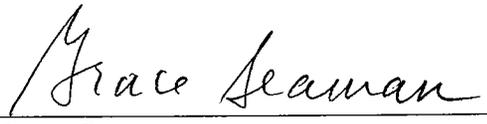
Ms. Anderson believes adequate ITSAP funding will be supported by the current surcharge rate of \$.06 per line along with the 2006 end of year cash reserve and the U.S. Treasury investment that will mature this year. She, therefore, recommends no changes to the ITSAP monthly rate for 2007. At this rate, the fund balance for the end of year is projected to be \$461,545; an amount Ms. Anderson believes will provide a reasonable four-month reserve balance.

**STAFF RECOMMENDATION**

Staff agrees with Ms. Anderson's assessment that the 2007 monthly ITSAP surcharge rate should remain at the current \$0.06 per line. In addition, the four-month reserve provides adequate funding to adjust to potential demands on the program as a result of pending, as well as, possible future Applications for ETC designation by wireless companies.

**COMMISSION DECISION**

Does the Commission wish to maintain the monthly Idaho Telephone Service Assistance Program surcharge rate of \$0.06 per line?

  
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Grace Seaman

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